

INFORMATION REPORT

DATE DISTR. 14 Dec 53

NO. OF PAGES 2

NO. OF ENCLS.
(LISTED BELOW)

SUPPLEMENT TO
REPORT NO.

50X1

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

50X1

Woolen Mills

1. The woolen textile industry was not of major importance in Shanghai. There were about a dozen mills producing woollens, a number of which were minor departments of large cotton mills. All were Chinese owned except for the woolen department of the Ewo Jardine Matheson and Company British-owned cotton mills. There had been another British-owned woolen mill but it was closed down in the late 1930's

50X1

2. None of the Shanghai woolen mills was equipped to process raw wool and prepare it for spinning. The mills all depended for raw supplies on imported wool tops from Australia. In consequence the woolen mills found themselves in difficulties during the postwar pre-Communist period [1946-49]. The Nationalist government considered woolen goods to be luxuries and was unwilling to allocate scarce foreign exchange for the purchase of wool tops. The mills were therefore forced to suspend operations or curtail them radically.

50X1

- 3.

Jute Mills

4. Under these circumstances a few of the woolen mills got the idea of converting to jute mills or of adding a jute mill section to a woolen mill. The equipment for processing, spinning and weaving jute is entirely different from woolen mill equipment, but the operations in a jute mill are similar to but less refined than those of a woolen mill and therefore it was believed that the woolen mill operatives could adapt themselves easily to jute mill work. And even more important, it was planned to process Chinese jute thereby eliminating the question of foreign exchange. A woolen mill [] ordered jute milling machinery in 1948. It had not yet reached Shanghai [] 1948 but may have been delivered subsequently. It is however not in operation, to

50X1

CLASSIFICATION ~~CONFIDENTIAL/SECURITY~~ INFORMATION

[illegible]

CONFIDENTIAL/SECURITY INFORMATION

-2-

- 50X1 [redacted] its capacity but it was 50X1
 50X1 designed to employ about 150 workers. In 1949 there were [redacted] two 50X1
 jute mills in operation, one privately owned and the other government
 owned. The latter may be a department of one of the government-owned
 ex-Japanese cotton mills. The prime motive for establishing jute mills
 is the fact that the mills cannot discharge workers and therefore are
 eager to engage in any undertaking which offers the opportunity of making
 use of them instead of paying them for idling.
5. Jute manufacture at present [1953] is no more than an infant industry in
 Shanghai but it is one of promise. There is a domestic supply of jute
 and a steady demand for gunny sacks in which to pack rice, coal, char-
 coal and other produce. Presumably the Communist government controls
 the allocation of raw jute, at least if the jute is not grown in the
 immediate area of the mill and requires transportation. So far as I know
 no jute is grown in the Shanghai area. Some is produced in the Tientsin
 area and it may also be grown in northern Kiangsu in the Nan Tung Chou area.
6. [redacted] 50X1
- Rayon Mills 50X1
7. In 1949 there were no mills in China producing rayon yarn, [redacted] do not 50X1
 believe that any have since been established. A few rayon weaving mills 50X1
 existed, using imported yarn, but their production was unimportant.
8. In 1948 [redacted] preliminary discussion of a plan to establish a
 rayon factory in Shanghai. While the immediate capital investment to
 build a plant would have been large - about \$1 million if I recall cor-
 rectly - the promoters believed that in the long run domestic production
 of rayon would conserve foreign exchange. The scheme was under discus-
 sion with the Nationalist government when the Communists seized control 50X1
 [May 1949] and [redacted] nothing ever came of it.
9. No other synthetic fibres, such as nylon or other more recent discoveries,
 are produced in China.

-end-

746.5 581L
 2/729.13 581L

CONFIDENTIAL/SECURITY INFORMATION